Friends of the Earth US Comments on the Consultative Document: Principles for the effective management and supervision of climate-related financial risks

Friends of the Earth US
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Introduction

Friends of the Earth US (FOE US) appreciates the opportunity to provide comments to the Basel Committee's Consultative Document regarding principles for climate related financial risks. These comments aim to address a number of ostensible blind spots, ambiguities, and areas for improvement in the draft principles. We hope the following analysis and recommendations are helpful in developing the resulting principles.

About Friends of the Earth US

Friends of the Earth US is a 501(c)(3) non-profit organization with offices in Berkeley, California and Washington, D.C., where it is headquartered, and staff located across the country. Friends of the Earth US is a membership organization consisting of nearly 4.5 million members and activists in all 50 states and the District of Columbia. Friends of the Earth US is a member of Friends of the Earth-International, which is a network of grassroots groups in 74 countries worldwide. Our mission is to protect our natural environment, including air, water, and land, to create a healthier and more just world. We utilize public education, advocacy, legislative and administrative processes, litigation, and open access to government processes and records to achieve our organizational goals.

For years, Friends of the Earth US has advocated for more sustainable funding mechanisms and actions from federal financial regulators. Friends of the Earth US has a dedicated Economic Policy team that works to redirect tax policies and public spending to make polluters pay for the costs of their pollution, and to drive the transition to a cleaner, low-carbon economy. At home and abroad, we advocate for policies that minimize environmental and social harm and fund a brighter future. In the United States, we strengthen regulations to encourage sustainability in financial markets and fight trade policies that allow companies to run roughshod over the environment and human rights. We also work with allies around the world to alter lending practices at financial institutions such as the World Bank, the U.S. Export-Import Bank and Wall Street banks that fund polluting activities and harm communities in developing countries.

Feedback on the Proposed Principles

Our feedback responds to Question 1 and 2.

Q1. Has the Committee appropriately captured the necessary requirements for the effective management of climate-related financial risks and the related supervision? Are there any aspects

that the Committee could consider further or that would benefit from additional guidance from the Committee?

No, we believe there are several key gaps which warrant the Committee's further attention. Detailed analysis and comments are provided below.

Q2. Do you have any comments on the individual principles and supporting commentary?

Yes, we wish to highlight principles under the corporate governance, internal control framework, risk management, and management and reporting sections. Specific principles are quoted below with additional analysis and comments. Please see below.

Regarding Corporate Governance Principles

In terms of corporate governance, we would like to highlight relevant gaps in the proposed principles.

First, although the proposed principles describe the potential impacts of climate risks onto banks, **there is an alarming elision of how banks and their portfolios are directly and actively driving climate change. Well established drivers of climate change, ranging from fossil fuel, large infrastructure projects, agriculture, energy, among others, are synonymous with many banks' key business areas and models. By failing to account for the banking sector's own role as a systemic driver of climate change, the Basel Committee overlooks if not discounts this critical aspect of addressing climate risks. Notably, many of these key business areas and models would otherwise not be possible without the support of the banking sector.** Principle 1 states:

> *Banks should develop and implement a sound process for understanding and assessing the potential impact of climate-related risk drivers on their businesses and on the environments in which they operate. Banks should consider material climate-related financial risks that could manifest over various time horizons and incorporate these risks into their overall business strategies and risk management frameworks.*

While banks should develop a robust process for assessing climate risks onto their business, none of the corporate governance principles or others explicitly address how banks themselves are actively contributing to and driving climate change. Acknowledging and addressing how banks are driving climate change is arguably more important than the corollary exercise of considering climate related financial risks on a bank's portfolio.

As such, **we recommend that the principles should expand in scope and ambition. In addition to merely managing and supervising climate-related financial risks, the principles should be explicit in how bank business models in key sectors are driving climate change. The draft principles should be revised to encourage banks to create policies and processes which aim to stop and reverse climate change, instead of merely considering transmission channels of climate-related risks.** Overly and narrowly focusing on climate related risks which may impact a bank's business – instead of how banks are driving climate risks themselves – reduces the utility and efficacy of these draft principles.

Furthermore, Principle 3 states that "Banks should adopt appropriate policies, procedures and controls to be implemented across the entire organisation to ensure effective management of climate-related financial risks". This language can be strengthened in order to account for compliance and transition risks, as identified by consultative document. In order to effectively prevent, mitigate, and address potential climate risks and impacts, it is important that banks fortify their internal environmental, social, and climate policies and safeguards.

Currently, there is a vast spectrum in terms of sophistication in regards to banks' environmental and due diligence systems. **In an effort to address the diversity of approaches, the Basel Committee should consider promoting common best practice environmental and climate approaches all banks should use as part of their internal policies. For instance, the principles should strongly encourage banks to comply with host country law and international norms, such as adhering to the Paris Agreement[1].** Within the Paris Agreement, countries have proposed their own nationally determined contributions (NDCs) to fighting climate change, and in cases of international financing, banks should take proactive efforts in ensuring that any of their direct or indirect financing promote a country's ability to meet its NDCs, rather than prevent a country's ability to meet those targets.

This is critical as host country governments cannot always be relied upon to follow or implement their own laws and policies. For instance, many host country governments have or may approve projects or activities which contravene their own NDCs or relevant laws[2]. As a result, banks should conduct a climate assessment for potential activities to be financed (including long term, cumulative impacts), in order to verify if the anticipated climate impacts match those of the borrower/host country. Notably, there have been cases of inaccurate or incomplete climate calculations being used by project developers, especially in regards to coal and fossil fuel projects[3]. This unfortunate albeit uncommon dynamic emphasizes the need for the Basel Committee to take a strong, clear position in encouraging banks to comply with host country law and international agreements like the Paris Agreement, so as to help ensure countries are able to meet their NDCs.

In order to help banks reduce and mitigate the climate impacts of their financing, the **Basel Committee should also encourage banks to develop or adopt key sectoral and exclusionary policies. For instance, the principles should include language on the need to prohibit any direct and indirect financing to industrial sectors that are well established to be carbon intensive, including the fossil fuel, industrial agriculture and livestock, and large hydropower sectors.**

In addition, the Basel Committee should **consider how climate is a cross-cutting issue, and should be considered holistically with other urgent issues such as biodiversity loss. It is increasingly clear that protecting biodiversity and stopping climate change are two sides of the same coin.** If humanity is

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[1] Some central bank regulators, such as the China Banking and Insurance Regulatory Commission, already obligate banks to comply with host country law and international norms and best practices in both domestic and overseas financing. Please see the Green Credit Guidelines published by Chinese regulators in 2012.

[2] "World Heritage Forever? How Banks Can Protect the World's Most Iconic Cultural and Natural Sites", Friends of the Earth US, 2021. https://foe.org/resources/banks-can-protect-iconic-sites; "New Oil, Same Business? At a Crossroads to Avert Catastrophe in Uganda", FIDH, 2020. https://www.fidh.org/IMG/pdf/fidh__fhri_report_uganda_oil_extraction-compresse.pdf; "Investing in a Green Belt and Road? Assessing the Implementation of China's Green Credit Guidelines Abroad," Friends of the Earth US, 2017. https://foe.org/resources/green-belt-china-green-guidelines/

[3] "A Just Transition for Africa?" Both Ends, 2020. https://www.bothends.org/uploaded_files/document/A_Just_Energy_Transition_for_Africa_November_2020.pdf

going to survive climate change, it is essential to not only curb greenhouse gas emissions, but to simultaneously ensure that the ecosystems we currently have are strongly protected, as many highly biodiverse areas also double as critically important and irreplaceable carbon sinks. Conversely, their destruction turns them into high carbon emitters. For example, the destruction of biologically-rich ecosystems through deforestation remains among the top sources of global carbon emissions. Furthermore, marine ecosystems, wetlands, and oceans are also increasingly being understood as key carbon sinks. However, they remain at risk from habitat loss, pollution, offshore drilling, and fossil fuel exploration and production, among others, which are either directly or indirectly caused by unsustainable bank-financed activities.

As such, we encourage the Basel Committee to consider promoting solutions such as the Banks and Biodiversity No Go Policy, which identifies eight sensitive areas and at risk ecosystems in need of urgent protection. This proposed policy is endorsed by over sixty civil society organizations to date, and is consistent with international trends recognizing the importance of prohibiting harmful investments in sensitive areas.

> *Banks and Biodiversity No Go Policy*[4]
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> In order to safeguard the rights of Indigenous and local communities (IPLCs) in formally, informally, or traditionally held conserved areas – such as Indigenous and community conserved areas (ICCA), Indigenous Territories (TIs) or public lands not yet demarcated – as well as to better address and reflect the current crises of climate change, biodiversity loss, and emergence of zoonotic diseases, the Banks and Biodiversity campaign calls on banks and financial institutions to adopt a No Go policy which prohibits any direct or indirect financing related to unsustainable, extractive, industrial, environmentally, and/or socially harmful activities in or which may potentially impact the following areas:
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> AREA 1: Areas recognized by international conventions and agreements including but not limited to the Bonn Convention, Ramsar Convention, World Heritage Convention and Convention on Biological Diversity, or other international bodies such as UNESCO (Biosphere Reserves, UNESCO Global Geoparks, etc) or Food and Agricultural Organization (vulnerable marine ecosystems), International Maritime Organization (particularly sensitive areas), IUCN Designated Areas (Categories IA – VI)
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> AREA 2: Nature, wilderness, archaeological, paleontological and other protected areas that are nationally or sub-nationally recognized and protected by law or other regulations/policies; this includes sites which may be located in or overlap with formally, informally, or traditionally held conserved areas such as Indigenous and community conserved areas (ICCA), Indigenous Territories (ITs) or public lands not yet demarcated
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> AREA 3: Habitats with endemic or endangered species, including key biodiversity areas
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> AREA 4: Intact primary forests and vulnerable, secondary forest ecosystems, including but not limited to boreal, temperate, and tropical forest landscapes
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> AREA 5: Free-flowing rivers, defined as bodies of water whose flow and connectivity remain largely unaffected by human activities
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> AREA 6: Protected or at-risk marine or coastland ecosystems, including mangrove forests, wetlands, reef systems, and those located in formally, informally, or traditionally held areas,

[4] More information can be found at www.banksandbiodiversity.org.

Indigenous Territories (ITs), or public lands not yet demarcated, or Indigenous and community conserved areas (ICCA)

AREA 7: Any Indigenous Peoples and Community Conserved Territories and Areas (ICCAs), community-based conservation areas, formally, informally, traditionally, customarily held resources or areas, Indigenous Territories, sacred sites and/or land with ancestral significance to local and Indigenous communities' areas where the free, prior, informed consent (FPIC) of Indigenous and Local Communities have not been obtained

AREA 8: Iconic Ecosystems, defined as ecosystems with unique, superlative natural, biodiversity, and/or cultural value which may sprawl across state boundaries, and thus may not be wholly or officially recognized or protected by host countries or international bodies. Examples include but are not limited to the Amazon, the Arctic, among other at-risk ecosystems

Other international bodies have already recognized the value of developing No Go Areas, such as the World Heritage Committee and the UN Environment's Principles for Sustainable Insurance Initiative (PSI). The Banks and Biodiversity No Go Policy also aligns with banks and financial institutions' current practice of following institutional Exclusion Lists for sensitive industries or areas, as well as global goals of preventing further biodiversity loss. Projects that do not fall within Exclusion Lists should still be subject to rigorous environmental and social due diligence, assessment, screening, planning, and mitigation policies and procedures.

Regarding Internal Control Framework Principles

In terms of internal control frameworks, there are areas which could be strengthened in order to more fully account for climate risks. Principle 4 states that "Banks should incorporate climate-related financial risks into their internal control frameworks across the three lines of defence to ensure sound, comprehensive and effective identification, measurement and mitigation of material climate-related financial risks". This language can be strengthened so as to anticipate changing compliance and transition risks within internal control frameworks. As identified in the consultative document, "climate-related risks may also materialise beyond a bank's traditional two- to three-year capital planning horizon but within the maturities of longer-dated positions. Other climate risks may materialise over a much longer time horizon. … Different time horizons should be considered in the process of risk identification and assessment as well as in scenario analysis".

Uncertainty regarding climate risks, especially in the long term, should necessitate banks to take a precautionary approach. However, the current version of the principles do not reference or encourage the precautionary decision making model. We believe this to be a significant flaw in the current principles, as any framework which aims to address climate change should indeed reference the need for a precautionary approach, since climate risks may only become apparent over much longer time horizons. Prevention should be a core component of banks' climate plans.

Furthermore, a precautionary approach would benefit banks and supervisors due to swiftly evolving policy and legal environments. This is because activities which may have received appropriate permits or approvals today may be at risk tomorrow as a result of changing legal and policy requirements. For instance, corporations and banks are coming under increasing scrutiny for failing to proactively address climate impacts of their financing. For instance, in 2002, several environmental organizations including FOE US and US cities "alleged that Export-Import Bank of the United States and the Overseas Private Investment Corporation illegally provided more than $32 billion in financing and insurance to fossil fuel projects over 10 years without assessing whether the projects contributed to global warming or impacted the U.S. environment, as they were required to do under the National Environmental Policy Act (NEPA). Fossil fuel projects financed by the two agencies from 1990 to 2003 produced cumulative emissions that were equivalent to nearly eight percent of the worlds annual carbon dioxide emissions, or nearly one third of annual U.S. emissions in 2003". The lawsuit was settled in favor of the plaintiffs in 2009. Subsequently, the case triggered policy revisions which strengthened the environmental policies in those financial institutions. These positive policy changes in turn ultimately led to the improvement of policies in virtually all OECD-member export credit agencies[5]. Changing policy requirements, legislation, and legal precedents present new compliance risks for banks, especially as climate litigation cases are likely to increase[6]. For instance, following a successful lawsuit against Royal Dutch Shell, activists have suggested that "next wave of climate lawsuits will target banks and boards"[7].

Regarding Risk Management Principles

In addition to proactively preventing banks' exposure to, and contribution to climate risks and hazards**, we encourage the Basel Committee to take stronger positions on how banks can concretely improve their risk management frameworks.** The draft principles state that,

> *Where appropriate, banks should consider risk mitigation measures such as establishing internal limits for the various types of material climate-related financial risks to which they are exposed, eg in their credit, market, liquidity and operational risk profiles.*

In this vein, we recommend that the Basel Committee encourage the use of the following tools and processes which can significantly reduce bank exposure to climate risks, which can also be helpful in reducing additionally related environmental and social risks. We also highlight tools which we believe are inadequate, if not conceptually flawed, in reducing or eliminating climate risks.

- **Establishing climate related metrics to assess board and senior banks staff, in addition to tying remuneration packages to banks' climate performance:** The draft principles state that "The board and senior management should ensure that climate-related financial risks, where material, are clearly defined and addressed in the bank's risk appetite framework". In order for the draft principles to be effective, we believe accountability is critical. As a result, we recommend that the Basel Committee consider the use of relevant climate metrics at the Board level to measure leadership and their management of climate related risks and hazards. We also recommend the Committee to consider how remuneration packages, particularly at the senior and executive level, to be tied to how well the bank has performed in reducing its contributions to driving climate change.

  The use of remuneration packages as an accountability mechanism is an underutilized tool in encouraging better uptake of climate related goals within the banking sector. **Given the urgency of climate change, it is imperative that any climate action is assessed and tied to board and senior staff remuneration packages so as to inspire stronger and swifter climate leadership within financial institutions.**

[5] https://foe.org/news/2009-02-landmark-global-warming-lawsuit-settled/
[6] https://climate-laws.org/
[7] https://www.cnbc.com/2021/11/11/cop26-climate-campaigners-to-target-banks-after-shell-court-ruling.html

Furthermore, Principle 2 states that: "The board and senior management should clearly assign climate-related responsibilities to members and committees and exercise effective oversight of climate-related financial risks…[and] identify responsibilities for climate-related risk management throughout the organisational structure". However, **there is no recommended accountability mechanisms or metrics for ensuring the board and senior management follow through in identifying and monitoring climate related risk management, and thus reducing climate related risks.** Without clear and explicit requirements for accountability at the senior and executive levels, this principle will most likely be ineffective in engendering the envisioned actual reforms within banks.

- **Ensure dedicated climate units retain independence and authority to oppose activities with harmful climate impacts:** Similarly, the draft principles suggest that banks should consider establishing units dedicated to reviewing and assessing climate risks. While this is a useful suggestion, we note that the principles should also include explicit, clear guidance on how such units can be adequately empowered to independently approve or oppose activities with negative climate impacts.

- **Establish, assess, and disclose an annual, institutional wide cap on greenhouse gas (ghg) emissions, in which all financed activities must be assessed based on ghg emissions across their entire lifecycle**: Establishing, assessing, and disclosing an institutional wide annual cap on emissions would enable banks to better prioritize and assess the climate impacts of their portfolio. This risk management tool would provide clear, measurable targets in ensuring banks adequately assess and track the greenhouse gas and carbon impacts of individual projects, but also across the entire institution, thus leading to better climate impacts in both preventing financing to high carbon activities, as well as requiring more robust carbon accounting (and accountable) practices.

  By adjusting and reducing institutional cap targets on an annual basis, it would also allow banks to create and complement a climate plan which actively corresponds and meets Paris Agreement and relate NDC goals. In regards to bank supervisors, this tool would allow regulators to measure and evaluate banks' climate performance; if made mandatory by bank regulators, it would also inspire deeper accountability in preventing and reducing climate risks from the banking sector. There is already precedent of banks using this tool in reducing their carbon impacts. For instance, the Overseas Private Investment Corporation, which was recently renamed as the US International Development Finance Corporation, has utilized an institutional cap to manage its emissions. Although its accounting practices can still be improved, the model itself can prove useful for others in the banking sector[8].

- **Prohibit carbon offset schemes as a mitigation measure**: Carbon offset schemes are a false, albeit seductive, solution for the banking sector. To date, no offset scheme or carbon trading program has been found to be effective in actually slowing down climate change. If the draft principles are to be meaningful and effective in reducing banks' climate risks, they should be clear and bold in identifying and prohibiting false solutions such as offset and carbon trading schemes. According to research from Friends of the Earth England, Wales, and Northern Ireland,

[8] https://1bps6437gg8c169i0y1drtgz-wpengine.netdna-ssl.com/wp-content/uploads/2020/05/2020.02.26_OPIC-GHG-Briefing_final.pdf

Researchers at Lancaster University have tried to calculate the real-world impact of offsetting[26]. They estimated how the presence of offsets, potential future availability of offsets and other means of drawing carbon out of the atmosphere create a 'mitigation deterrence', which can deter or delay action to reduce emissions. In the worst case scenario, the promise of offsetting schemes and other carbon-removal approaches could lead to an additional 1.4°C of global heating, which would be catastrophic. The researchers make clear that this isn't just about cost, although that is certainly significant.

In short, offset schemes provide the illusion of action, when in reality, offset schemes are compounding the climate crisis by fundamentally enabling, rather than reducing, ghg emissions.

- **Reject net zero approaches**: Net zero is another seductive, albeit fundamentally flawed concept which does not address the drivers of climate change, climate risks to banks, or climate risks posed by banks. Net zero bank pledges allow for continued financing to high carbon activities on the promise that banks may "offset" or reduce climate impacts elsewhere. Almost all banks' current net zero pledges lack specific requirements or plans for actively reducing financing to high carbon activities such as the fossil fuel sector, is what the climate crisis demands. According to climate scientists, net zero essentially legitimizes the "burn now, pay later" approach, which is the model which has led to our current climate crisis[9]. Research from international groups including ActionAid, Friends of the Earth International, and others have found that net zero is being increasingly used as a pretense for climate action among governments and corporations:

  Far from signifying climate ambition, the phrase 'net zero' is being used by a majority of polluting governments and corporations to orchestrate escape clauses so as to evade responsibility, shift burdens, disguise climate inaction, and in some cases even to scale up fossil fuel extraction, burning and emissions….At the core of these pledges are small and distant targets that require no action for decades, and promises of technologies that are unlikely ever to work at scale, and which are likely to cause huge harm if they come to pass. Adding 'net' to 'zero means a 'get-out-of-jail-free card' for polluters that is increasingly used to avoid or delay reducing emissions altogether[10].

  The draft principles should directly address this concerning trend towards net zero approaches in the banking sector, and should instead send a strong signal that banks should embrace real zero approaches. Given the known uncertainty of climate risks on banks, ensuring real zero and stopping financing to known drivers of climate change should also be explicitly acknowledged as being in banks' best interest in the long term.

- **Requiring free, prior, informed consent:** Although ensuring free, prior, informed consent (FPIC) may not ostensibly appear as a climate related hazard, we believe it is important to recognize the crosscutting challenges of addressing climate change and biodiversity loss. As mentioned earlier, addressing these global challenges are two sides of the same coin, and banks should take steps to develop holistic risk management tools to address these issues, such as ensuring FPIC. This is because there is increasing evidence that Indigenous and local communities are essential for conserving biodiversity; indeed, some of the most biodiverse places left in the world, many of which are also recognized for their climate regulatory value, overlap with lands belonging to

[9] https://theconversation.com/climate-scientists-concept-of-net-zero-is-a-dangerous-trap-157368
[10] https://actionaid.org/sites/default/files/publications/NOT%20ZERO_Joint%20Technical%20Briefing.pdf

Indigenous and local communities. Research has found that Indigenous Peoples protect 80% of the world's biodiversity even though they make up less than 5% of the world's population. Examples include Indigenous and local communities living in the Amazon, Indonesia, and other remaining intact forests around the world. Indigenous and local communities are thus critical in not only stopping biodiversity loss, but also climate change. This is why banks should require free, prior, informed consent in all financing activities, and why Indigenous and local peoples issues cannot always be conveniently separated from climate or biodiversity issues. Addressing biodiversity loss and climate change successfully will in part depends on the ability of Indigenous and local communities to exercise their right to free, prior, informed consent, as their presence (and opposition to harmful or polluting activities) has essentially enabled the continued protection of high biodiverse areas where they reside. Furthermore, the complex intersection of climate, biodiversity, and Indigenous and community rights issues exemplifies how the Basel Committee can play a stronger, guiding role in signaling how banks should develop further sophistication in effectively managing, addressing, and resolving these inherently crosscutting issues in a cohesive, holistic manner.

Regarding Management Monitoring and Reporting Principles

Principle 7 states that "Risk data aggregation capabilities and internal risk reporting practices should account for climate-related financial risks. Banks should seek to ensure that their internal reporting systems are capable of monitoring material climate-related financial risks and producing timely information to ensure effective board and senior management decision-making". We agree that banks should actively improve their internal reporting systems to account for climate risks.

However, the draft principles do not reference the need for banks or bank supervisors to disclose climate data and reporting to the public. This is a major gap in the principles, as disclosure is an important tool in ensuring banks are adequately addressing the climate crisis, as well as managing climate related finance risks to their own portfolios. **We recommend that the draft principles be revised to strongly encourage mandatory disclosure of climate risks, in addition to providing guidance on best practices regarding climate disclosures.**

Currently, banks do not adequately disclose relevant data regarding their climate risks and impacts, and information which is publicly disclosed varies significantly in quality and quantity. As a global standard setter for the prudential regulation of banks, the Basel Committee can play a stronger role in signaling and identifying best practices in terms of bank climate disclosures on both a bank and bank supervisory level. However, the draft principles lack guidance in this matter. **As such, including recommended best disclosure and monitoring practices as part of the draft principles would help standardize and improve consistency of climate related data and monitoring across the sector, and thus address the common challenge of over-relying on voluntary disclosure frameworks, which allows banks to cherry pick which climate risks are deemed material, as well as select a framework which casts them in the most favorable light.** These tendencies tend to result in subpar climate risk reporting, effectively turning the process into a public relations effort rather than a responsible approach to corporate governance.

Recommendations

In improving the draft principles, we offer the following recommendations to the Basel Committee:

On Corporate Governance

- Expand the scope and ambition of the principles so that banks and supervisors are expected to stop and reverse climate change impacts, instead of only considering and responding to transmission channels for climate-related financial risks
- Explicitly acknowledge the significant role banks play in directly and indirectly financing well established drivers of climate change, such as the fossil fuel, energy, large infrastructure, industrial agriculture, among other sectors, and conversely, the responsibility of the banking sector to exclude financing to carbon intensive sectors
- Promote common environmental and climate approaches all banks and supervisors should use as part of their internal policies. For instance, the principles should strongly encourage if not require banks to comply with host country law and international norms, such as adhering to the Paris Agreement. Some central bank regulators, such as the China Banking and Insurance Regulatory Commission, already obligate banks to comply with host country law and international norms and best practices in both domestic and overseas financing
- Encourage banks to develop or adopt key sectoral and exclusionary policies, such as prohibiting any direct and indirect financing to fossil fuel, industrial agriculture and livestock, and large hydropower sectors
- Consider how climate is an inherently cross-cutting issue with others such as biodiversity loss and Indigenous and community rights, and should be considered holistically with other urgent issues such as biodiversity loss
- Promote cross cutting solutions such as the Banks and Biodiversity No Go Policy, which identifies eight sensitive areas and at risk ecosystems in need of urgent protection and exclusion from harmful financing
- Consider the use of relevant metrics at the Board level to measure their performance of climate related risks and hazards
- Consider how remuneration packages, particularly at the senior and executive level, should be tied to how well the bank has performed in reducing its contributions to driving climate change
- Include explicit, clear guidance on how such dedicated climate units can be adequately empowered to independently approve or oppose activities with negative climate impacts
- Foster the adoption of the precautionary approach in decision making processes since climate risks may only become apparent over much longer time horizons

Risk Management

- Take stronger positions on how banks can concretely improve their risk management frameworks, including:
    - Establish, assess, and disclose an annual, institutional wide cap on ghg emissions, in which all financed activities must be assessed based on ghg emissions across their entire lifecycle
    - Prohibit carbon offset schemes as a mitigation measure

- Reject net zero approaches
- Require free, prior, informed consent

Management Monitoring and Reporting

- Encourage the use of mandatory disclosure of climate risks
- Provide guidance on best practices regarding climate disclosures and monitoring